

MOTION BY MAYOR MICHAEL D. ANTONOVICH

JANUARY 11, 2011

On April 9, 1992, the Board of Supervisors approved the sale of a surplus County building located at 1015 North Lake Avenue, Pasadena (Property) to the Pasadena Community Development Commission (PCDC) for \$700,000. The intent of the direct sale to PCDC was to enable PCDC to convey the Property, a former Department of Public Social Services facility, and assign its obligations connected with the sale to the Pasadena Enterprise Center (PEC). The PEC is a locally-based non-profit corporation in the City of Pasadena that was created to establish a small business incubator program.

Due to on-going budget and programming problems, PEC was unable to meet its monthly installment payments on the promissory note (Promissory Note) and deed of trust. In August of 1997, the Board agreed to restructure its Promissory Note and amended the deed of trust to allow PEC to meet their monthly payment obligation based on incoming cash flow receipts. In May of 2002, the Board approved a second note restructure because of PEC's inability to meet its financial obligations. Over the past few years, the unfortunate combination of losing a few tenants to a bad economy coupled with the increased costs of maintaining the building on the Property have resulted in PEC finding itself in arrears for approximately \$19,000.

PEC has made monthly payments in a timely manner over the last two years, but has been unable to secure funding to pay the past due balance. PEC has expressed to the County that their operational cash flow has been limited due to the on-going maintenance and repair expenses brought on by the current condition of the building.

In an effort to assist PEC and their mission of providing services through their small business incubator program, the County is proposing to waive their total outstanding balance for an amount not to exceed \$19,000. Additionally, the County will be amending the terms of the Promissory Note to increase PEC's monthly payment from \$2,720.00 to \$2,793.96 in order to fully amortize their loan in 30 years.

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As consideration for waiving the arrears, the County will modify certain conditions in the Equity Position Agreement (Agreement) currently in place. The County will seek an increase in its equity position if the property is sold, whereby the County would receive ten percent of the gross sale proceeds, instead of the current three percent of the net sale proceeds. In addition, the County will modify the Agreement to include an existing provision stating that at all times and under all conditions, the Property shall be continuously operated by a government agency or a non-profit community service organization providing social programs that benefit the community. The amended Agreement will also include a provision contained in the original Sale and Purchase Agreement for the Property executed by the County and PCDC in 1992. Said provision states that PEC agrees to pay the County ten percent of any net cash flow received by PEC from time to time during the term of the Note from the rental of space at the Property to tenants who do not qualify for assistance under PEC's small business incubator program to the extent that such tenancy exceeds seventy-five percent of the rentable space.

Waiving the arrearage amount would make it possible for PEC to continue their operations and would enable the organization to better function during a difficult economic climate. Most importantly, the many small businesses that owe their survival to the support services provided by the PEC would be able to continue to grow and create new jobs.

**THEREFORE, AS AUTHORIZED BY GOVERNMENT CODE SECTION 26227, I  
MOVE THAT ACTING AS THE BOARD OF SUPERVISORS:**

1. Find that PEC provides a public service through its programs that benefit local communities and the County.
2. Instruct the Chief Executive Officer (CEO), or his designee, to negotiate an Amendment to the Promissory Note with PEC increasing the monthly payments of principal and interest from \$2,720.00 to \$2,793.96 for 30 years until May 1, 2039, to correct the Promissory Note schedule.
3. Instruct the CEO, or his designee, to amend the Equity Position Agreement currently in place to include a provision stating that at all times and under all conditions, the Property shall be continuously operated by a government agency or a non-profit community service organization providing social programs that benefit the community. In the event that the Property is sold, the County shall be entitled to ten percent of the gross sale proceeds. Additionally, the Agreement will be amended to include a provision that states that PEC agrees to pay the County ten percent of any net cash flow received by PEC from time to time during the term of the Note from the rental of space at the Property to tenants who do not qualify for assistance under PEC's small business incubator program

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4. To the extent that such tenancy exceeds seventy-five percent of the rentable space.
5. Instruct the CEO, or his designee, to waive the past due monthly installment payments and late fees owed by PEC for the Property in an amount not to exceed \$19,000.
6. Instruct the Executive Office, Board of Supervisors to execute the Amendment to the Promissory Note and revised Equity Position Agreement upon presentation by the CEO and approval as to form by County Counsel.

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